

17 Cost of taxation compliance

OVERVIEW

For the 2009–10 income year:

- the average time taken to complete a business income tax return was 5.8 hours
- the average time taken to complete a *Business activity statement* (BAS) was 2.0 hours
- it took an average of 11.3 hours to complete a fringe benefits tax return
- the average cost of managing tax affairs claimed by an individual was \$356.00.

INCOME TAX RETURNS

The forms for businesses have a label that captures both the preparation and the time taken to complete the form.

For the 2009–10 income year, the number of entities who completed the time-box increased by 7.1% from 2008–09. The biggest change in the number of hours taken to complete the form occurred with funds, decreasing by 9.5%.

INTRODUCTION

This chapter provides information on the time-based cost of taxation compliance data, as reported on the major tax forms used by businesses. This includes the income tax returns for individuals, companies, trusts and partnerships; BASs (quarterly only) and the fringe benefits tax return. Taxpayers may use the time-box label on these forms to record their estimate of the total time taken to complete the form in addition to the time required for the compilation of relevant information and record keeping.

It is not compulsory for taxpayers to complete the time-box. As a result, the percentage of forms with this label completed is generally low, yet statistically viable.

Table 17.1 Average time¹ to complete income tax return, 2008–09 and 2009–10 income years

	Number of taxpayers	Total hours	2008–09 ² Hours per taxpayer	Number of taxpayers	Total hours	2009–10 ² Hours per taxpayer
Company	30,063	220,903	7.3	30,106	216,202	7.2
Fund	16,597	105,037	6.3	17,771	101,741	5.7
Partnership	10,590	89,535	8.5	10,017	85,236	8.5
Trust	13,212	91,141	6.9	13,032	92,067	7.1
Individual ³	90,745	412,267	4.5	99,868	489,342	4.9
Total	161,207	918,883	5.7	170,794	984,588	5.8

¹ Large outlier values were removed before averages were calculated.

² Data for the 2008–09 and 2009–10 income years includes data processed up to 31 October 2010 and 31 October 2011 respectively.

³ Taxpayers who completed the individuals – business and professional items schedule only.

BUSINESS ACTIVITY STATEMENT – QUARTERLY LODGERS

For the 2009–10 income year, 2,705,627 BAS forms were submitted by taxpayers where the time-box contained a value. The average time involved in completing a BAS form was 2.0 hours.

Table 17.2 Average time¹ to complete business activity statements submitted quarterly by market segment, 2008–09 and 2009–10 income years

	Number of BAS	Total hours to complete BAS	2008–09 ² Hours per BAS form	Number of BAS	Total hours to complete BAS	2009–10 ² Hours per BAS form
Not-for-profit	100,013	159,222	1.6	100,708	164,063	1.6
Individuals	55,832	37,271	0.7	65,852	38,274	0.6
Micro business	2,327,959	4,784,763	2.1	2,381,491	4,937,852	2.1
Small-medium business	144,440	286,094	2.0	147,109	289,313	2.0
Large business	10,591	11,006	1.0	10,467	10,314	1.0
Total³	2,638,835	5,278,356	2.0	2,705,627	5,439,817	2.0

1 Large outlier values were removed before averages were calculated; the government market segment has not been included as there were not enough forms completed with time-box information to be statistically useful.

2 Data for the 2008–09 and 2009–10 income years includes data processed up to 31 October 2010 and 31 October 2011 respectively. Data for 2008–09 has been revised.

3 The totals may differ from the sum of the components due to rounding.

FRINGE BENEFITS TAX RETURNS

Fringe benefits tax (FBT) is the tax paid by employers on a benefit provided to employees in place of, or in addition to, salary and wages. The fringe benefit tax year runs from 1 April to 31 March each year.

Micro businesses recorded the lowest hours per taxpayer to complete forms. These entities generally provide few fringe benefits to employees. In contrast, large business and government recorded the largest hours per taxpayer, reflecting their use of the fringe benefits tax system to provide benefits to large numbers of their employees.

Compared to 2008–09, the government and large business sectors have seen a decrease of 19.6% and 19.1% respectively in the number of hours taken to complete forms, with government having a decrease of 8.9% in the number of employees subject to FBT. An increase of 16% in the number of hours taken to complete the form over the previous year, was also observed in the not-for-profit sector.

Table 17.3 Average time¹ to complete FBT form by market segment, 2008–09 and 2009–10 income years

	Number of taxpayers	Total hours	2008–09 ² Hours per taxpayer	Number of taxpayers	Total hours	2009–10 ² Hours per taxpayer
Government	839	37,316	44.5	764	27,383	35.8
Not-for-profit	2,640	25,989	9.8	2,666	30,093	11.3
Micro business	3,734	11,775	3.2	4,122	13,781	3.3
Small-medium business	7,292	72,615	10.0	7,410	77,738	10.5
Large business	1,514	45,170	29.8	1,523	36,728	24.1
Total	16,019	192,865	12.0	16,485	185,723	11.3

1 Large outlier values were removed before averages were calculated.

2 Data for the 2008–09 and 2009–10 income years includes data processed up to 31 October 2009 and 31 October 2010 respectively.

COST OF MANAGING TAX AFFAIRS

The cost of managing tax affairs is taken directly from the label on the individual tax return form. This label records expenses relating to preparing and lodging tax returns and includes expenses such as tax agent fees and interest charges imposed by the ATO.

The cost of managing tax affairs has increased by 11.3% from 2008–09 to 2009–10.

Table 17.4 Cost of managing tax affairs for individuals, 2008–09 and 2009–10 income years

	Number of taxpayers	Total cost \$m	2008–09 ¹ Average cost per taxpayer \$	Number of taxpayers	Total cost \$m	2009–10 ¹ Average cost per taxpayer \$
Individuals ²	5,734,042	1,838	320	5,671,852	2,017	356

1 Data for the 2008–09 and 2009–10 income years includes data processed up to 31 October 2010 and 31 October 2011 respectively.

2 This will not include data from the tax return where the taxpayer has claimed the cost of managing tax affairs under a different label.

SOURCE OF COST OF TAXATION COMPLIANCE STATISTICS

Time-based data is extracted from the time-box label which is on the major tax forms individual and business taxpayers are required to complete. While the data values shown are correct, the value recorded by taxpayers may not always be consistent due to their varying interpretations and calculation of the time spent preparing and completing a tax return form.

Cost estimates are based on the income tax return label 'Cost of managing your tax affairs'. This label is only in the individual income tax return and captures the fees that individual taxpayers pay for preparing their income tax return. This label does not capture the fees that businesses pay to tax practitioners.

The statistics in this chapter are sourced from 2008–09 and 2009–10 income tax returns and BASs processed by 31 October 2010 and 31 October 2011 respectively. The statistics reported are not necessarily complete as the proportion of tax returns processed by 31 October each year can vary. We recommend you exercise caution when comparing the statistics for the current year and previous years.

Fringe benefits tax data is taken from 2008–09 and 2009–10 fringe benefits returns (for the period 1 April to 31 March each year) that have been processed up to 31 October 2009 and 31 October 2010 respectively.

Statistics in the detailed tables for the current 2009–10 income year includes data processed up to 31 October 2010. All other prior years includes data processed up to 31 October of their respective income year.

A copy of each of the tax return forms is in the appendix which you can view or download in PDF file format from the attached CD-ROM or from the online version of *Taxation statistics* on our website at www.ato.gov.au

COST OF TAXATION COMPLIANCE CHAPTER TABLES

The cost of taxation compliance chapter tables are now on the attached CD-ROM and included in the online version of this publication on our website. You can now view or download all the chapter tables in Excel.

LIST OF COST OF TAXATION COMPLIANCE DETAILED TABLES

The following cost of taxation compliance detailed tables are on the attached CD-ROM and included in the online version of this publication on our website. You can view or download all the detailed tables in PDF or Excel format.

The items referred to in the detailed tables are items declared on the returns. A copy of each of the returns is in the appendix.

Table 1 Tax return forms, cost of taxation compliance data for 1998–99 to 2009–10 income years

This table shows cost of taxation compliance data for BASs (quarterly only); and company, partnership, trust, fund, fringe benefits tax and individual return forms.

Table 2 FBT form, by employee benefit count and market segment – average time to complete form, 2006–07 to 2009–10 income years

This table shows cost of taxation compliance data for FBT returns, by the number of employees receiving benefits and market segment.

Table 3 Income tax return time-box data, by total business income – average time to complete form, 2006–07 to 2009–10 income years

This table shows cost of taxation compliance data for company, fund, individual, partnership and trust returns, by total business income.

Table 4 Income tax return time-box data, by market segment – average time to complete form, 2006–07 to 2009–10 income years

This table shows cost of taxation compliance data for company, fund, partnership, trust and individual entities by market segment, for the 2006–07 to 2009–10 income years.

Table 5 BAS submitted quarterly, by market segment and role indicators – average time to complete form, 2006–07 to 2009–10 income years

This table shows the number of entities and the total and average hours taken to complete all BASs for a particular income year, by market segment and role indicator (combinations of GST, PAYG withholding, PAYG instalments and FBT instalments) for the 2006–07 to 2009–10 income years.

Table 6 Income tax return time-box data by lodgment method – average time to complete form, 2006–07 to 2009–10 income years

This table shows cost of taxation compliance data for company, fund, partnership, trust and individual entities, by lodgment method for the 2006–07 to 2009–10 income years.

Table 7 Cost of taxation compliance index – trend over time, 2001–02 to 2009–10 income years

This table examines the cost of taxation compliance data as a series of index numbers for key tax and super forms and the cost of managing tax affairs. It is used to compare the movement in the cost of taxation compliance burden over time.